

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6918

BILL NUMBER: HB 1167

DATE PREPARED: Dec 21, 2001

BILL AMENDED:

SUBJECT: Daviess County CAGIT.

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: The bill allows Daviess County to impose the County Adjusted Gross Income Tax (CAGIT) at a rate of up to 0.25% in addition to the current rate of up to 1%. It allows the county to use the additional revenue from the increased rate only to pay for certain costs associated with the county jail, including the costs of repaying bonds issued, or leases entered into, to pay for those costs. This bill also specifies that the term of any bonds or leases may not exceed 25 years. The bill provides that any funds accumulated after the redemption of bonds or the final payment of lease rentals shall be transferred to the county highway fund to be used for highways, roads, and bridges. It updates population parameters to reflect changes in the 2000 decennial census.

Effective Date: Upon passage.

Explanation of State Expenditures: In accordance with the provisions of this bill, revenue from the additional tax rate increase of either 0.15%, 0.2% or 0.25% to CAGIT may be used to finance, construct, acquire, improve, renovate, or equip the county jail and related buildings and parking facilities, including costs related to the demolition of existing buildings and the acquisition of land. Additionally, the revenue generated may be used to repay bonds issued or leases entered into for the above.

Explanation of Local Revenues: Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of either 0.5%, 0.75% or 1%. (Daviess County currently imposes CAGIT at a 1% rate.) Under the provisions of this bill, Daviess County would be allowed to increase the CAGIT rate by either 0.15%, 0.2%, or 0.25%. The tax rate imposed may not exceed the costs to finance, acquire, improve, renovate, remodel, equip the county jail and related building and parking facilities, including costs related to the demolition of existing buildings and the acquisition of land, and any other reasonably related costs.

The CY 2002 CAGIT certified distribution at a 1% rate for Daviess County is \$4,232,627. In order to accommodate the rate increase to CAGIT, the bill allows the maximum combined rate of CAGIT and the

County Economic Development Income Tax (CEDIT) for Daviess County to be increased by 0.25%. Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%. The bill would allow this combined rate for Daviess County to be 1.5%. (To date, Daviess County has not adopted CEDIT.)

It is estimated an additional 0.25% CAGIT tax increase would equal approximately \$1 M in additional gross revenue for the entire year. An increase in the CAGIT tax rate by 0.2% would generate approximately \$846,000 in new revenue for an entire year. Finally, an increase in the CAGIT tax rate by 0.15% would equal approximately \$635,000 in additional revenue for an entire year.

The bill allows the county council of Daviess County to adopt an ordinance to increase its CAGIT rate after March 31, 2002, and before September 20, 2002. Under the bill, if an ordinance is adopted before June 1, 2002, the ordinance would become effective July 1, 2002. Additionally, if an ordinance has been adopted before June 1, 2002, the Department of State Revenue would be required to take into account the forwarded certified ordinance for determination of the county's certified distribution for CY 2003.

Under the bill, if an ordinance is adopted after May 31, 2002, the ordinance would become effective January 1, 2003. The bill also requires the Department, no later than thirty days after receiving the certified ordinance, to revise the county certified distribution for CY 2003. Under this scenario, the first distribution reflecting the increased CAGIT rate would be made to the county treasurer on November 1, 2003.

Background: Under current Indiana law, a county must adopt an increase in its CAGIT rate by April 1 of a given year. In July of that year, the State Budget Agency will calculate a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

State Agencies Affected: State Budget Agency; Department of State Revenue.

Local Agencies Affected: Daviess County.

Information Sources: State Budget Agency.